

Message Text

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ACTION NEA-10

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SUBJECT: STATUS OF AMERICAN INVESTORS IN AFGHANISTAN

REF: KABUL 3744

THE EMBASSY IS IN CLOSE CONTACT WITH THE FIVE PRINCIPAL IN
AFGHANISTAN HAVING AMERICAN PARTICIPATION. THEIR EXPERIENCES UNDER
THE DEMOCRATIC REPUBLIC OF AFGHANISTAN (DRA) VARY WIDELY.

1. INDAMER AFGHAN INDUSTRIES. (SEE KABUL 5118 AND PREVIOUS.)
INDAMER AFGHAN INDUSTRIES IS MOSTLY OWNED BY AMERICANS RESIDENT IN
INDIA AND INDIANA. IN JUNE, THE DRA ORDERED INDAMER TO CEASE ALL
BUSINESS OPERATIONS AND ITS EXPATRIATE PERSONNEL TO LEAVE THE
COUNTRY. THE COMPANY IS NOW ENDEAVORING TO DISPOSE OF ITS
ASSETS AND TO SETTLE FINANCE MINISTRY'S TAX CLAIMS AGAINST IT.
THE TOTAL TAX CLAIMS AMOUNT TO ABOUT 90 MILLION AFGHANIS (\$2.3
MILLION) OR MORE THAN THE COMPANY'S OWN VALUATION OF ITS ASSETS
(ABOUT AFS 80 MILLION). INDAMER MAINTAINS THAT THE TAXES HAVE BEEN
ASSESSED UNFAIRLY AND HAS SOUGHT EMBASSY ASSISTANCE IN RESOLVING
THE MATTER. ALTHOUGH THE EMBASSY HAS RAISED THE ISSUE WITH SEVERAL
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SENIOR OFFICIALS OF THE AFGHAN GOVERNMENT, LITTLE PROGRESS HAS BEEN
ACHIEVED. COMPANY OFFICIALS ARE BEING THREATENED WITH INCARCERATION
IF THE TAX BILL IS NOT PAID PROMPTLY. THE EMBASSY PLANS TO CON-
TINUE TRYING TO HELP INDAMER RECEIVE FULL AND IMPARTIAL CONSIDERA-
TION OF ITS CASE.

2. YAQUB BROTHERS LEATHER COMPANY. YAQUB BROTHERS LEATHER COMPANY

IS PARTIALLY OWNED BY AN AMERICAN LEATHER COMPANY, GENESCO. BEFORE THE DRA TOOK POWER, YAQUB BROTHERS WAS OPERATING PROFITABLY AND EFFICIENTLY. THE COMPANY REPORTS THAT IT IS NOW HAVING DIFFICULTY OBTAINING RAW MATERIALS AND THAT ITS VOLUME OF BUSINESS HAS DECLINED. IT ALSO FORESEES FUTURE DIFFICULTIES WITH THE GOVERNMENT. THE DRA IS FORMING COOPERATIVES OF LEATHER PRODUCERS AND YAQUB MAY BE FORCED TO JOIN AND POOL ITS EXPERTISE WITH OTHER COMPANIES. MOREOVER, YAQUB BROTHERS' FIVE-YEAR TAX HOLIDAY CEASES IN MARCH 1979; ITS PLANT IS LOCATED IN AN AREA WHICH, UNDER A KABUL CITY MASTER PLAN, IS DESIGNATED FOR NON-INDUSTRIAL DEVELOPMENT; AND THE FIRM HAS ENVIRONMENTAL PROBLEMS WITH THE CITY OF KABUL CONCERNING THE DISPOSAL OFFACTORY WASTES. THESE FACTORS LEAD THE MANAGEMENT TO BE PESSIMISTIC ABOUT THE FIRM'S FUTURE.

3. CASTROL. CASTROL, A LUBRICANT BLENDING PLANT, IS ABOUT TWO-THIRDS OWNED BY FALCON OIL COMPANY OF NEW YORK. THE COMPANY REPORTS THAT BUSINESS IS GENERALLY GOOD AND THAT ITS PRODUCTION CONTINUES TO RISE, EVEN SINCE THE DRA TOOK POWER. CASTROL REPORTS THAT IT, ALONG WITH OTHER INVESTORS, HAS BEEN IN FREQUENT CONTACT WITH THE NEW GOVERNMENT AND HOPES THAT THE DRA WILL FORMULATE A TARIFF POLICY WHICH WILL ACCORD CASTROL ADDITIONAL PROTECTION FROM IMPORTS.

4. ARIANA AFGHAN AIRLINES. PAN AMERICAN OWNS 49 PERCENT OF ARIANA AFGHAN AIRLINES. THE NEW AFGHAN GOVERNMENT HAS EXPRESSED EXPLICIT SUPPORT FOR CONTINUING ARIANA'S TIES WITH PANAM. ARIANA RECENTLY LIMITED OFFICIAL USE

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DECIDED TO BUY A NEW AIRCRAFT, A DC-10, AND IS SEEKING FINANCING FOR THE AIRCRAFT FROM THE U.S. EXPORT-IMPORT BANK AND COMMERCIAL SOURCES. ARIANA, ALTHOUGH SUFFERING SOME DECLINE IN AIR TRAVEL TO AND FROM AFGHANISTAN SINCE THE CHANGE IN GOVERNMENT, IS OPERATING NORMALLY AND WITHOUT SERIOUS DIFFICULTY AT PRESENT.

5. INTERCONTINENTAL HOTEL. THE INTERCONTINENTAL HOTEL IS OWNED BY THE AFGHAN GOVERNMENT AND ARIANA AIRLINES. U.S. INTEREST IN THE HOTEL IS LIMITED TO THE PARTIAL PAN AMERICAN OWNERSHIP OF ARIANA AND A MANAGEMENT CONTRACT BETWEEN THE GOVERNMENT AND THE INTERCONTINENTAL HOTEL CHAIN. THE CHANGE OF GOVERNMENT IN AFGHANISTAN HURT THE INTERCONTINENTAL'S BUSINESS SEVERELY. THE HOTEL'S OCCUPANCY RATE IN AUGUST 1978 WAS 38 PERCENT COMPARED

TO 65 PERCENT THE PREVIOUS YEAR. HOWEVER, THE TOURISM POLICIES OF THE NEW GOVERNMENT COULD RESULT IN ADDITIONAL ACTIVITY HERE FOR THE INTERCONTINENTAL CHAIN. THE NEW GOVERNMENT IS CONSIDERING CONTRACTING THAT FIRM FOR THE MANAGMENT OF A HOTEL AND RESTAURANT SCHOOL. THE CONTRACT WOULD BE WORTH APPROXIMATELY \$3 MILLION WE ARE TOLD.
DUBS

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